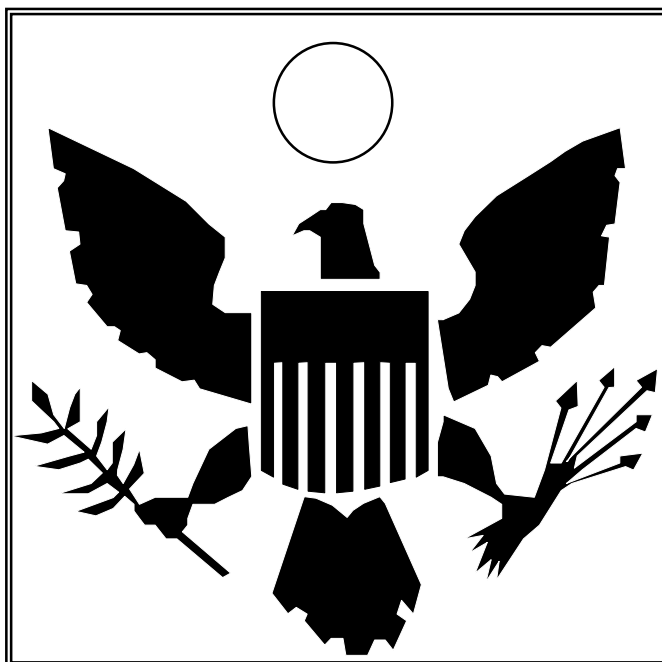


**DEFENSE DEPOT MAINTENANCE COUNCIL**

**COST COMPARABILITY COMMITTEE**

# **COST COMPARABILITY HANDBOOK**



**JANUARY 1998**

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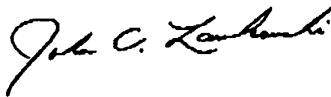
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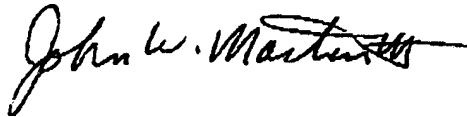
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## I. CERTIFICATION

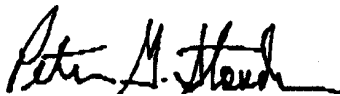
This version of the Cost Comparability Handbook is authorized for release to the Services for use in preparing competitive proposals. This is a living document and will require updating over time due to the dynamics of the business environment. We wish to express our sincere appreciation to all individuals that assisted in updating the handbook.



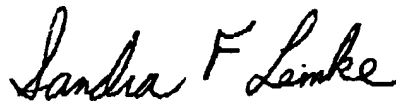
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## **II. PURPOSE**

The purpose of this handbook is to provide standardized procedures and techniques to insure cost comparability during consolidation studies and when competing depot maintenance workloads between DOD components (public / public) and between organic (DOD) sources and the private sector (public / private).

There are some differences in accounting for costs between the DOD Services (hereafter called Service(s)) and even between different locations within the same Service. These variances are a result of the managerial and organizational philosophy of the respective Service. These differences as covered in Appendix A must be addressed in order to "level the playing field" before workloads can be compared or competed between Services and private industry.

Overall cost analysis is in two segments. The first segment is the end item cost to the customer. It is anticipated that competition will decrease cost to the government by forcing economy and efficiency at the source of repair. Cost efficient, well managed operations will prosper and grow while the inefficient operations will be reduced. This process of natural selection based on a "free market economy" will result in reduced duplication of capability, increased capacity utilization and reduced costs to the customer. The second segment of cost comparison is the overall cost to DOD. There are certain costs that are funded by other appropriations (other than the customer) which include military construction, equipment and transportation costs. These costs must be accounted for before a comprehensive source selection decision can be made. The total cost to DOD is one of the decision criteria.

The cost comparability process involves including in a competitive bid proposal the costs for various organic (public) depot cost elements as appropriate and as defined in this handbook. These costs are determined and applied by the public bidder during cost proposal development.

For the purposes of this handbook, cost comparability is not to be confused with the source selection process. However, the cost comparability committee has determined that a listing (not all inclusive) of potential source selection evaluation factors is appropriate for inclusion in this handbook. The source selection authority, representing the buyer, will tailor cost analysis to include those evaluation factors determined to be appropriate to the specific competition. Once determined, the evaluation factors must be identified in the request for proposal. The buyer or the buyer's agents are responsible for the accumulation of cost data when the use of an evaluation factor requires data that is not accumulated in the sellers' (public or private) data systems or when the data is not routinely available to the seller.

### **III. BACKGROUND**

In June 1990, the Under Secretary of Defense established the Defense Depot Maintenance Council (DDMC) in a memorandum titled “Strengthening Depot Maintenance Activities.” The Council tasked the cost comparability committee (reference Appendix D) to establish a technique to compare depot maintenance costs from all providers (public or private) using standard accounting techniques. The specific tasking (reference Appendix B) of the cost comparability committee was to “develop a handbook that would facilitate cost comparability between and among the depot maintenance activities.” The objectives of the committee were to:

1. “Level the playing field” for cost comparison in preparation for workload consolidation studies and competitive bidding for workloads. Identify differences and establish a technique for leveling.
2. Establish a uniform methodology for unit costing, recognizing that there are four distinct functions: cost estimating, cost tracking, cost comparison procedures, and the bid processes.
3. Lay the ground work for uniform DOD depot maintenance cost accounting procedures by providing feedback and recommended changes to DOD 7220.9-M (superseded by DOD 7000.14-R).
4. Develop a handbook that can be used to perform cost comparisons.

After an in-depth review of the Service’s cost accounting procedures and cost accounts, the committee found that there were more similarities than differences between each Service’s cost accounting practices. The committee observed indirect cost accounts that warranted definition which are provided in Appendix A. Those major indirect cost accounts that had Service variances are listed in the Summary of Adjustments Matrix on page A-3. Adjustments will be made in either direction when they are significant. This handbook, which was first published in January 1992, is the result of the committee’s efforts.

Subsequent to initial publication of this handbook, the cost comparability committee was chartered by the Joint Policy Coordinating Group on Depot Maintenance (JPCG-DM) to maintain currency based on changes in cost accounting policies, standards, and practices. The committee may periodically change or update this handbook and will provide changes to the DDMC via the JPCG-DM. Periodic changes will be promulgated by interim change memorandum approved by the JPCG-DM.

## **IV. SCOPE**

The application of this handbook is limited to costing procedures for workload decisions under the auspices of the Defense Depot Maintenance Council. The rules and procedures identified by this handbook will be applicable to all working capital funded DOD depot maintenance functions and any other government activity that is proposing to compete for depot maintenance work. Private industry offerors do not complete a Comparability / Bid Proposal Worksheet (Form 1). These rules and procedures will be valid as long as there are no significant changes in accounting classifications, systems and categories of costs.

This document incorporates governmental cost accounting conventions with standard accounting practices in industry and with generally accepted accounting principles. Because of Service differences, manual cost adjustments are necessary to facilitate comparability. It is imperative that all activities (regardless of whether appropriation funded or working capital funded) develop cost data that is consistent with this handbook and that will withstand the test of audit.

--- Working capital funded activities must account for all direct and indirect costs as defined herein and in DOD 7000.14-R. This level of cost detail supports completion of the cost comparability worksheet (Form 1).

--- Appropriation funded activities that want to propose on depot maintenance workload must determine all direct and indirect costs as defined herein and portray those costs on the cost comparability worksheet (Form 1). This requirement applies regardless of the type (or lack thereof) of cost accounting system used by the activity. In those cases where an appropriation funded activity will be involved in a competition, assistance from the parent Service's Cost Comparability Committee representative (Appendix D) should be requested.

The following is a partial quote from the Congressional Record of the House, dated October 23, 1990:

“The conferees agree to suspend section 2466 of title 10, United States Code, in order to allow an evaluation of a pilot program for competition of depot maintenance workload in the Army and Air Force. In carrying out this program, the Secretary shall insure that all DOD activities competing for depot maintenance workload are required to submit bids based on comparable estimates for direct and indirect cost factors. In addition, the Secretary shall insure that any successful bid includes estimates for all direct and indirect cost factors, including all direct and indirect cost factors included in bids submitted by private firms.”



### **ASSUMPTIONS:**

1. Interservice competition between DOD depot maintenance facilities (public) as well as competition between DOD maintenance facilities (public) and commercial sources (private) is feasible, prudent and legal.
2. In order to effect free and open competition, this handbook assumes that there will be no constraints on depot maintenance manpower. Manpower will be allowed to fluctuate up or down in order to accommodate competitive workloads that are won or lost. It must be realized that there are inherent risks in the competitive process.
3. The DOD rate stabilization (selling price) requirements will be waived in order to prepare bids that reflect the actual and estimated costs at time of the bid. Once the “contract / work agreement” is awarded, the rates and prices will be “locked in” for the period specified in the contract(s) and thus become stabilized.
4. Acquisition of capital equipment to perform a competed workload by DOD agencies will be allowed when their proposal (including the cost of acquisition) provides the best overall value to DOD, so long as compliance with established procedures for financing the acquisition of capital equipment are followed.
5. All proposals will be based on the same terms and conditions, including quantities, delivery schedules and work specifications.
6. Existing public depot cost accounting systems will be used and will be in compliance with the Cost Accounting Standards as contained in DOD 7000.14-R. Adjustments are contained in Appendix A and other DOD directives.
7. Competition will be conducted in accordance with the Federal Acquisition Regulation (FAR) for private offerors and using similar rules as amended by the Request For Proposal for public offerors.

## **V. FINANCIAL PROCEDURES TO ENSURE COST COMPARABILITY**

This handbook establishes the financial procedures regarding bid preparation for workload subject to public / private and public / public competitions or consolidation at working capital funded depot activities. Consistent with this, the following procedures are provided for proposal preparation by DOD agencies and Military Services. Guidance for competition is established by the Joint Service Procedures describing Public / Private or Public / Public Competition of Depot Maintenance.

### **General**

a. In developing competitive cost proposals for public to public or consolidation studies, a workload allocation base upon which the bids will be developed will include approved core, current funded non-core, and the specific workload covered under the bid. Other potential workloads will not be considered for costing purposes when competing for a workload public to public. For public / private bids; however, a best estimate of the workload that could be won as a result of competition based on a command headquarters approved win factor may be included for indirect (i.e., production overhead or general and administrative) expense absorption. This win factor, which is the percentage of other competitions that the bidder might expect to win, must be approved by the management command of the activity and must be supported by previous competition results. The use of a win factor to determine potential changes in indirect expenses may result in indirect savings which are discussed elsewhere in this handbook.

b. Generally accepted accounting principles will be followed. These principles will be in compliance with Cost Accounting Standards (CAS) as incorporated in DOD 7000.14-R. Compliance will be evaluated by the Defense Contract Audit Agency (DCAA) during audits of the depot accounting systems and competition proposals.

c. Consolidation or competitive proposals will only include cost estimates for the work specified in the Statement of Work (SOW). In cases where industry or practice would indicate work inclusion, any specific work intended to be omitted or accomplished only on an “as required by inspection” basis will be clearly identified in the Request for Proposal (RFP) response.

d. Cost elements and allocation procedures for indirect expenses will be the same for all work at the depot which is competing or being considered for consolidation.

e. Noncompetitive workload will not be used to finance costs that according to generally accepted accounting principles should be a proper cost to the competitive workload.

f. Cost proposals should be based on the current best estimate of costs to accomplish the job. They will include an appropriate share of overhead based on the actual / planned workload at the activity. This does not equate to the stabilized rate developed for the Congressional budget but rather the current estimate of costs at the time of bid submission.

g. Management discounts or other “bottom line” adjustments to the price that the customer pays for this competed workload may not be offered, nor will positive or negative surcharges be included.

h. Information specifically related to the development of rates and prices must be appropriately marked as “GOVERNMENT COMMERCIAL CONFIDENTIAL INFORMATION” and protected as “SOURCE SELECTION SENSITIVE.”

i. All comparisons are based on a unit price basis and are extended by the proposed customer quantity in order to provide a baseline for adjustments.

j. These cost procedures are designed to guide decision making for lead Service consolidation and competitive award of workload when applicable. All of the depot maintenance cost associated with the production of the workload under consideration for competition or consolidation will be identified and accounted for in accordance with DOD 7000.14-R, the indirect cost element definitions outlined in Appendix A, and the assumptions listed previously. All of these costs will be included in the bid and exceptions will be clearly quantified and identified on the Cost Comparability Worksheet (Form 1), page 14. Government proposals will not include cost adjustments for profit and loss, cost of money, and income taxes.

k. All costs will be included regardless of funding source (appropriated or working capital funds).

l. After award, the following will apply: Public assignment within a Service will be handled by that Service; Public assignment to another Service will be covered by a Depot Maintenance Interservice Support Agreement (DMISA) containing all the terms and conditions specified in the solicitation; Award to private industry will be covered by the normal contracting process with terms and conditions as contained in the solicitation.

### **Cost Proposal Development**

a. A total competitive cost will be developed by estimating the production hours required to accomplish the contract line items in the statement of work and multiplying the hours by the direct labor and indirect rates developed for the bid. The rate may be independent of any previously established rates developed in the working capital fund budget. However, all

adjustments from the budget baseline must be documented and defended. Direct material and other costs will be added to the total labor and indirect costs to arrive at a bid price.

b. For public to public competitions, when dealing with commodities (such as Federal Stock Class, commodity, or other groupings) that include a large number of items the following will apply:

(1) The cost evaluation will be based on those units that constitute 80% of the cost in the commodity under consideration.

(2) Unit cost will be the basis for each item within the 80% criteria.

c. Unit cost will also be used for workloads which are considered services or which are normally sold at hourly sales rates. This requires that the deliverable(s) can be defined. The unit then becomes the defined deliverable(s). The key becomes how the unit / deliverable(s) are defined (i.e., one each job, etc.). If a deliverable(s) can not be defined, then this handbook does not apply.

### **Gains and Losses**

A bid will not knowingly include either a gain or a loss for the specific elements of work covered by the bid. A gain is an excess of revenue over costs incurred. A gain occurs when the contract workload is executed below the contract price as awarded. A loss occurs when costs incurred exceed revenues.

a. Gains incurred during execution of the work will be retained and separately identified within a distinct accumulated operating result account.

b. If financial problems arise during the execution of the work assignment document, the performing depot should notify their command for assistance in resolving the problem. The depot should notify their command when a loss is expected on a fixed price project order funded work assignment. The depot and command will review the cause for the loss. If the cause is determined to be beyond the control of the performing activity, the customer will be contacted in an attempt to recover the loss. If the loss is the responsibility of the performing activity the normal competition loss recovery procedures will apply.

### **Overhead**

a. No cost may be allocated to a final product under competition as an indirect cost if similar costs are charged as direct to the same or similar products or workloads not under competition (i.e., allocation procedures must be rational and consistent).

b. General and Administrative (G&A) overhead expenses will use a consistent method for application to all workloads. Any changes in the method for developing G&A rates will be applied consistently to all workloads both competitive and noncompetitive.

c. Changes in indirect expense development and allocation procedures directed subsequent to a competitive cost proposal will apply to the competition workload during execution. Any gains or losses caused by these changes will be included in the final accounting of actual costs against the contract bid price.

d. Production overhead expenses will be applied to the benefiting product.

e. Asset depreciation is generally an indirect expense except when the asset only benefits one cost objective.

f. The following functions can be charged as either direct or as production overhead / shop indirect (charged as overhead to the benefiting product or depot service) for the fixed price portion of the proposal only: First line supervision, production testing of petroleum / oil / lubricants (POL), Test / Inspections / Verification and Overtime / Holiday Premium. Unless otherwise stated in the RFP, the above functions may be charged as direct for all portions of the proposal that calls for a level-of-effort or charging a rate per hour for unpriced over and above work.

g. Public offerors indirect costs / savings for workloads exclusive of this competition will be identified to determine the overall cost to the U.S. Government. Private offerors may also propose Forward Pricing Rate Agreement adjustments for indirect costs / savings resulting from this competition which accrue to other U.S. Government workloads.

#### **Over and Above Work (Within Scope Changes)**

a. Competitive cost proposals will be based on the specific Statement of Work (SOW) in the solicitation document. Any work requirement identified subsequent to the award of a workload assignment document is considered to be over and above workload.

b. Costs associated with over and above work must be accounted for separately and be available for audit.

#### **Changes to the Statement of Work (SOW)**

When the customer changes the specification of work or if during the course of the work unexpected conditions are encountered, the performing activity will contact the customer and

they will jointly agree on the appropriate action. If the customer agrees that the additional work is necessary, the customer will be required to fund the additional work.

Statement of work changes after award will be separately justified and negotiated with the requiring activity. Such changes must be funded and included in the award document by modification.

### **Reporting and Audit**

All costs and revenue applicable to competitive workload will be separately reported and must be auditable.

## **VI. COMPARABILITY / BID PROPOSAL WORKSHEET OVERVIEW**

### **General**

This worksheet (Form 1) will only be completed by public offerors for workloads under consideration for consolidation / competition and subsequently during the competitive process. Costs will be developed based on the rules and procedures contained in the other sections of this handbook. All costs will be shown regardless of funding sources (working capital fund (WCF) or appropriated fund). All costs in Appendix A will be included unless an adjustment for comparability is indicated.

The cost element in Part II, Section B, Lines 1 through 8 of Form 1 have been identified as potential areas for adjustments to make costs from the different Services comparable. **USE EACH ELEMENT ONLY IF IT IS APPROPRIATE AND MATERIAL TO THE INDIVIDUAL COST COMPARISON.**

The comparability adjustments in Appendix A reflect the most current practices within the Services. If accounting and funding practices change, customer cost shall include all funded costs. Comparability adjustments shall include all allocable unfunded costs.

Primarily for competition, negative adjustments will not exceed the amount for the cost element included in the Total Customer Cost (Part II, Section A, Line 6). For example, if the customer will be providing all weapon system engineering support, the RFP would state that this cost will not be included in the cost proposal. Thus, no adjustment would be needed in Line IIB1.

The cost elements identified here are covered in detail in Appendix A. This worksheet is to be filled out by the proposal team but in and of itself does not constitute the cost proposal. The cost proposal should meet the requirements specified in the RFP.

### **Comparability Adjustments**

A. Engineering – Design engineering normally referred to as Weapon System Engineering includes designing repairs and modifications, configuration management, monitoring reliability data (including engineering decisions on materials specifications) and weapon systems performance, maintaining technical data, and technical support of production. Weapon System Engineering is considered a cost to the customer and not depot maintenance. Therefore, where weapon system engineering is included as working capital fund costs, these costs should be identified, quantified, and recorded in the appropriate line of this worksheet.

B. State Unemployment Payments – The amount of contribution provided to a state's unemployment fund by the Department of Labor due to fluctuations in working capital fund (WCF) employment.

C. Base Facilities Maintenance – In locations where the working capital funded operations are the “host,” the WCF may carry a greater share of these costs than if the WCF was the tenant. Therefore, non-reimbursed expenses incurred by the WCF host in support of tenant or satellite units should be identified and excluded.

D. Unfunded Civilian Retirement – Under the Civil Service Retirement System (CSRS), a CSRS adjustment will be made in the proposal. This adjustment will equate to the amount of unfunded civilian retirement liability the government bidders will incur based on the number of employees still covered by the CSRS. When computing this amount, a percentage of payroll will be used. This percentage can be obtained from the Office of Personnel Management (OPM). The Federal Employees Retirement System (FERS) has no unfunded liability.

E. Depreciation for MCP Facilities – The depreciation of existing facilities constructed with Military Construction Program (MCP) funds will be considered a sunk cost and will be excluded in the consolidation studies or public to public competitions. When competing with private industry, depreciation costs for existing facilities will be included for ALL public bidders and the amount entered on Line IIB5 of the worksheet. New construction, regardless of the funding source, should be part of the selection process as a separate item of consideration as identified on worksheet Line IIC1.

F. Casualty Insurance – Operation of any government activity involves risks and potential costs from casualty losses (fire, flood, etc.) and liability claims. These risks are normally covered by insurance in the private sector, but the government is primarily self-insured and must pay for each loss incurred. To compute estimated annual insurance costs, please see page 17.

G. Military Non-Depot Costs – Military members of the WCF are required to devote productive time to non-depot related activities. These activities could include such duties as retreat, command post, parades, honor guard, and military training. This time would be subtracted for comparability purposes. A strict accounting must be evident for this non-depot time in order to make this adjustment.

H. Other Recurring Costs – The amount for any recurring non-WCF costs that occur due to the proposed alternative being considered. Unfunded Base Operating Support activities that benefit the WCF would be included in this category as a comparability adjustment. Other examples include Industrial Health Services; Central Systems Design, Development, and Maintenance; Mobilization Support; Facilities Maintenance and Repair for Tenants; and Motor Pool / Vehicle Maintenance. Further, depending on the situation (public / public or public / private) there may be a need to make additional adjustments for such cost elements as Test Pilots when military test pilots are provided to private offerors, State Worker’s Compensation payments, and other depot related expenses when those costs are partially or fully funded by other



than the customer. Any costs in this area must be fully identified and justified (see Summary of Adjustments Matrix and Appendix A).

### **Nonrecurring Project Costs**

**Capital Expenditures & Other Nonrecurring** – The competitive workload may require modification to existing facilities or new construction. The cost of modifications will include both physical alterations and the plant engineering / layout costs. It also includes any additional equipment required. All costs in this category will be listed separately on a detail schedule.

### **Indirect Costs / Savings Resulting From an Increase in Business Workload Base**

For public / private competitions, each public offeror must compute reasonable indirect cost increases or savings to other workloads which will result from winning this competition and would be realized during this contract performance. The indirect costs / savings shall be computed by subtracting the new indirect rate from the old indirect rate and multiplying the difference by the existing (excluding workload under this competition) government workload indirect base. At the request of the Source Selection Authority (SSA), the DCAA and the Defense Contract Management Command (DCMC) will evaluate these costs / savings and their impact on other government programs which would be affected by indirect rate changes. DCMC will advise the SSA on whether the costs / savings should be used to calculate the total cost to the government (Form 2).

### **General Summary**

All costs to DOD have to be considered when evaluating workload consolidation or competitive bid awards. Therefore all recurring and nonrecurring costs must be considered in determining the best value for DOD. Nonrecurring costs are those one time costs incurred as a result of a workload move decision. Recurring costs that are the result of the consolidation or bid award decision will continue as long as the decision is in place. Other costs may be included or excluded as the individual competition or consolidation requires. However, any additions or deletions to these costs must be fully identified and justified. Any assumptions made in developing these costs must be clearly stated.

Costs that will not be included are facility / equipment shutdown costs, parts inventory, production engineering, transition management, Reduction In Force (RIF), and Conventional Forces Agreement (CFA). If included, any assumptions made in developing these costs must also be clearly stated.

## COST COMPARABILITY BID / PROPOSAL WORKSHEET

<b>I. PROPOSAL INFORMATION</b>			
A. DEPOT:		B. DATE:	
C. SOLICITATION NO:		D. CUSTOMER:	
E. PROJECT BRIEF:			
F. QUANTITY:	G. ESTIMATED HOURS PER UNIT:	H. BASIS: STANDARD / ACTUAL HOURS	
<b>II. COST INFORMATION</b>			
A. RECURRING CUSTOMER COSTS:	a. COST PER HOUR	b. COST PER UNIT	c. TOTAL PROJECT COST
1. DIRECT LABOR			
2. DIRECT MATERIAL			
3. OTHER DIRECT (Specify)			
4. PRODUCTION EXPENSE (Indirect)			
5. GENERAL & ADMINISTRATIVE EXPENSE			
6. TOTAL CUSTOMER COST (A1 THRU A5)			
B. RECURRING COMPARABILITY ADJUSTMENTS:			
1. ENGINEERING			
2. STATE UNEMPLOYMENT PAYMENTS			
3. BASE FACILITIES MAINTENANCE			
4. UNFUNDED CIVILIAN RETIREMENT			
5. DEPRECIATION FOR MCP FACILITIES			
6. CASUALTY INSURANCE			
7. MILITARY NON-DEPOT COSTS			
8. OTHER RECURRING COSTS (Specify)			
9. TOTAL COMPARABILITY ADJUSTMENTS (B1 THRU B8)			
C. NONRECURRING PROJECT COSTS:			
1. CAPITAL EXPENDITURES			
2. OTHER NONRECURRING COSTS (Specify)			
3. TOTAL NONRECURRING PROJECT COSTS (C1 + C2)			
D. PROJECT BID / PROPOSAL:			
1. TOTAL DEPOT MAINTENANCE COMPARABILITY COST (A6c + B9c + C3c)			
<b>III. INDIRECT COST IMPACT</b>			
A. INDIRECT COSTS / SAVINGS FOR REMAINING WORKLOADS:			
1. INCREASED INDIRECT COSTS			
2. INDIRECT SAVINGS (Specify)			

**COMPARABILITY / BID PROPOSAL WORKSHEET**  
**LINE ITEM INSTRUCTIONS**  
(Form 1)

The following instructions are for completion of Form 1; the Comparability / Bid Proposal Worksheet. Form 1 is to be completed by the public activity as required in the Request for Proposal (RFP), normally for each Contract Line Item Number (CLIN) and for each year's customer quantities by CLIN. Private contractors do not complete this worksheet. Form 1 is in three parts. Each part provides information that must be completed for each proposal.

**Part I. PROPOSAL INFORMATION**

***Block A. [Depot]:*** Identify your depot.

***Block B. [Date]:*** Self Explanatory

***Block C. [Solicitation Number]:*** For workloads under specific competition RFPs. Not required for workload consolidation.

***Block D. [Customer]:*** Identification of the customer or Service who has primary management responsibility for the workload under consideration. The requiring Service.

***Block E. [Project Brief]:*** A description of the requested depot maintenance action such as F-4 Programmed Depot Maintenance (PDM) or F-14 Standard Depot Level Maintenance (SDLM).

***Block F. [Quantity]:*** The number of units of workload being considered.

***Block G. [Estimated Hours per Unit]:*** The number of hours estimated per unit of production.

***Block H. [Basis for Estimated Hours]:*** Specify whether the estimated hours per unit are based on engineering standards or are derived from actual cost history.

**Part II. COST INFORMATION** From this point on, the form is divided into columns to enter the appropriate cost data.

***Column a. [Cost per Hour]:*** The cost per hour developed in accordance with the rules and procedures contained in other sections of this handbook. Although cost per unit is the basis for evaluation, cost per hour is provided for analytical purposes.

***Column b. [Cost per Unit]:*** The cost per unit the Source of Repair (SOR) will charge the customer. Must be developed in accordance with the rules and procedures contained in this handbook. Under

competition this will be the bid price per unit. This is obtained by multiplying the cost per hour (Column a.) times the estimated hours per unit (Block G.).

**Column c. [Total Project Cost]:** The total project cost is obtained by multiplying the cost per unit (Column b.) times the customer quantity (Block F.).

#### **A. RECURRING CUSTOMER COSTS:**

**Line 1 [Direct Labor]:** The amount of direct labor expressed in terms of cost per hour (Column a.), cost per unit (Column b.), and total project cost (Column c.) developed in accordance with Appendix A.

**Line 2 [Direct Material]:** The amount of direct material expressed in terms of cost per hour (Column a.), cost per unit (Column b.), and total project cost (Column c.) developed in accordance with Appendix A.

**Line 3 [Other Direct]:** The amount of other direct cost expressed in terms of cost per hour (Column a.), cost per unit (Column b.), and total project cost (Column c.) developed in accordance with Appendix A. Includes contracts, direct travel and per diem or other direct purchased services. Entries in this line must be specified. If this form doesn't have enough space, attach a detailed schedule to identify the specific cost elements and the dollar amount associated with each element. Compute the total of these costs and carry the total to Line 3 with a reference to the attached listing.

**Line 4 [Production Expense (Indirect)]:** The amount of production overhead cost expressed in terms of cost per hour (Column a.), cost per unit (Column b.), and total project cost (Column c.) developed in accordance with Appendix A.

**Line 5 [General and Administrative (G&A) Expense]:** The amount of G&A cost expressed in terms of cost per hour (Column a.), cost per unit (Column b.), and total project cost (Column c.) developed in accordance with Appendix A.

**Line 6 [Total Customer Cost]:** The sum of lines A1 through A5 in the respective Columns (a, b, and c). This represents the customer's cost of the proposed workload.

#### **B. RECURRING COMPARABILITY ADJUSTMENTS:**

**Line 1 [Engineering]:** The amount being subtracted for comparability purposes in accordance with sections 1.9 & 1.10 in Appendix A. This negative adjustment will not exceed the amount included for this expense element in Lines A1 through A5.

***Line 2 [State Unemployment Payments]:*** The amount being added for payments for state unemployment compensation paid by a central fund (is not funded through the depot's WCF). Payments made by the WCF are to be included in Line A6 without any adjustments here. See section 8.1 in Appendix A.

***Line 3 [Base Facilities Maintenance]:*** The amount being adjusted (added or subtracted) for comparability purposes in accordance with section 3.7 in Appendix A. A negative adjustment will not exceed the amount included for this expense element in Lines A4 through A5.

***Line 4 [Unfunded Civilian Retirement]:*** The amount being added for the cost of the unfunded Civil Service Retirement System (CSRS) liability. See section 5.7 Unfunded Civilian Retirement in Appendix A.

***Line 5 [Depreciation for MCP Facilities]:*** The amount being added for the depreciation of facilities constructed with Military Construction Program funds. See section 7.3 in Appendix A for public / private competition. Depreciation for the facilities will be for the entire time period for the workload being competed. Do not include for public / public only competition.

***Line 6 [Casualty Insurance]:*** Casualty insurance costs will be computed by multiplying the government approved factor of .005 times the net book value (current depreciated asset value) of government industrial plant equipment (class 3 and 4). Casualty insurance for facilities will be .005 times the estimated replacement cost. All values and costs may be reduced by the amount currently funded for equipment replacement (current CPP / CIP funded amount) and repair of facilities (\$500,000). Allocation of these costs to the competitive workload will be done on the basis of direct labor hours. (Section 8.3, Appendix A)

***Line 7 [Military Non-Depot Cost]:*** The amount subtracted for the time military members of the depot staff spend on non-depot time / military duties. This adjustment applies only to military members that support the contracted workload and that will be costed to that workload as direct, overhead, or G&A. Any adjustment to the direct labor rate shall only apply to the number of hours that the military member will be performing direct work on this competed workload. A strict accounting must be evident for non-depot time in order to make this adjustment in accordance with section 5.8 in Appendix A.

***Line 8 [Other Recurring Cost]:*** Any recurring non-WCF costs which will be incurred by the proposed alternative. Examples include the Industrial Health Services; Central Systems Design, Development, and Maintenance; Mobilization Support; Facilities Maintenance and Repair for Tenants; and Motor Pool / Vehicle Maintenance. Unfunded Base Operating Support activities that benefit the WCF should be included in this line as a comparability adjustment. Other adjustments include Test Pilots when military test pilots are provided to private offerors, State Worker's Compensation payments, and depot-related expenses when those costs are partially or fully funded

by other than the customer in accordance with the Summary of Adjustments Matrix, page A-3 and Appendix A. For competition, these costs will be for the time period being competed. The amount adjusted for comparability purposes will be in accordance with Appendix A. Each adjustment must be separately identified and justified on a detailed schedule and attached to this proposal. While individual adjustments may be negative or positive, total these adjustments and enter the total on this line. A negative adjustment will not exceed the amount included for the expense element in Lines A1 through A5.

***Line 9 [Total Comparability Adjustments]:*** The sum of amounts (may be negative) on lines B1 through B8 in respective columns a, b, and c.

### **C. NONRECURRING PROJECT COSTS**

***Line 1 [Capital Expenditures]:*** The amount of expenditure of appropriated funds required to purchase equipment, modify facilities, or construct facilities to energize the proposed source.

***Line 2 [Other Nonrecurring Costs]:*** Any other nonrecurring costs incurred as a result of implementing this proposed activity. Identify the additional cost elements and the associated costs on an attached detailed schedule, enter the total costs on this line, and attach the list to this worksheet.

***Line 3 [Total Nonrecurring Project Costs]:*** The sum of amounts (may be negative) on lines C1 and C2. Only column c applies.

### **D. PROJECT BID / PROPOSAL**

***Line 1 [Total Depot Maintenance Comparability Cost]:*** The sum of the amounts on Lines A6c + B9c + C3c. This amount represents the comparability cost between Services for their respective Working Capital Funds. Only column c applies.

## **Part III. INDIRECT COST IMPACT**

**A. INDIRECT COSTS / SAVINGS FOR REMAINING WORKLOADS:** Increased indirect costs or indirect savings, for public / private competitions only, are determined by use of the following formula:

(Old indirect rate minus [-] new indirect rate) times [x] (existing government workload base in direct labor hours).

For the purposes of this computation, the existing government workload base figure excludes this competition workload. If the results of this computation are a negative number, then indirect costs have increased. If the results are a positive number, then indirect savings to the remaining workload will generate.

This “adjustment” may only be used if customer costs for other workloads will be increased (due to increased indirect costs) or customer costs will be decreased due to indirect savings. Changes in customer costs for remaining workloads must be applied prior to or concurrent with execution of the workload. Alternatively, (1) identify the gain or loss that results, (2) track this gain or loss as a function of Net Operating Results (NOR), and (3) adjust the stabilized rates in the future years for non-competitive workloads.

***Line 1 [Increased Indirect Costs]:*** When indirect costs for all remaining workloads will increase (the result of the above formula is a negative number), enter the results of the above formula.

***Line 2 [Indirect Savings]:*** When indirect savings for all remaining workloads will result from this competition (the results of the above formula is a positive number), enter the results of the above formula. On a separate detailed schedule, provide indirect allocation information as well as the data entered in the above formula. Deviations to the above approach must be fully auditable, as well as documented, and provided as an attachment to this Form.

## **VII. COST EVALUATION OVERVIEW**

For the purpose of this handbook, cost comparability is not to be confused with the competition source selection process. Competition requires that the seller (the bidding public or private depot) propose to the buyer (requiring or managing authority) all costs that will be incurred to maintain the workload under consideration, in response to a request for proposal or other type of solicitation. Competition also requires that the bidders' cost proposal must remain the responsibility of the bidder and not be changed by the source selection authority. During the source selection process; however, additional costs that are often outside of the bidders' control must be evaluated to determine the overall cost to the government of each bid. To the extent that these costs can be determined and supported by the bidder, such cost data may be required in the solicitation.

Since the assignment of depot maintenance most often involves additional significant costs beyond the control of the seller, these costs must be considered during source selection. Therefore, the Cost Comparability Committee has determined that a structured method for documenting cost evaluation during the source selection process and a listing (not all inclusive) of potential source selection evaluation factors is appropriate for inclusion in this handbook.

The source selection authority, representing the buyer, will tailor cost analysis to include those evaluation factors determined to be appropriate to the specific competition. Once determined, the evaluation factors must be identified in the request for proposal. In so far as the source selection process is a buyer's tool, it is inappropriate for the seller (public or private) to be accountable for cost determination for many of the possible evaluation factors. Unless otherwise specified in the listing of evaluation factors, it is the buyer's (or buyer's representatives) responsibility to determine the cost impact of the proposed cost evaluation factors. Accumulation of cost data for selected evaluation factors is the responsibility of the buyer, unless the required cost data is accumulated in seller data systems or is routinely used by the seller for other purposes.



# COST EVALUATION FORMAT

<b>I. PROPOSAL INFORMATION</b>			
A. SOLICITATION NO.	B. CUSTOMER:		
C. PROJECT BRIEF:			
<b>II. COMPARABILITY SUMMARY</b>			
	<b>SOURCES</b>		
	<u>a.</u> SOURCE OF REPAIR 1	<u>b.</u> SOURCE OF REPAIR 2	<u>c.</u> SOURCE OF REPAIR 3
A. CUSTOMER COSTS (FORM 1, LINE II A6 <u>OR</u> PRIVATE BID)			
B. DEPOT MAINTENANCE COMPARABILITY COSTS (FORM 1, LINE II B9c plus (+) LINE II C3)			
C. INDIRECT COSTS / SAVINGS IMPACT (FORM 1, LINE III A1 or LINE III A2 <u>OR</u> Forward Pricing Rate Agreement FOR PRIVATE OFFERORS)			
D. TOTAL LINES A THRU C			
<b>III. DOD EVALUATION FACTORS</b>			
A. TRANSFER / RELOCATION EXPENDITURES			
B. SECOND DESTINATION TRANSPORTATION			
C. CHANGES IN SPARES			
D. CONTRACT ADMINISTRATION			
E. COST OF CAPITAL			
F. FEDERAL INCOME TAX			
G. AWARD FEES OR INCENTIVES			
H. OTHER PUBLIC OR PRIVATE COSTS (Specify)			
I. TOTAL DOD EVALUATION FACTORS (LINES A THRU H)			
<b>IV. COST SUMMARY</b>			
A. TOTAL ALTERNATIVE COSTS (II D + III I)			

## **COST EVALUATION FORMAT INSTRUCTIONS**

(Form 2)

The following instructions are for completion of Form 2, the Cost Evaluation Format. Form 2 is to be completed (1) by the Contracting Officer or his / her representative as a part of the source selection process so the Source Selection Authority (SSA) can compare bids from all sources, both public and private, or (2) by the decision making body for a consolidation study to compare organic facilities. All sources of repair, both public and private will be included. Form 2 is in 4 parts. Each part provides information necessary to complete a cost analysis which identifies the least cost option.

### **Part I. PROPOSAL INFORMATION**

***Block A [Solicitation Number]:*** For workloads under specific competition RFPs. Not required for workload consolidation studies.

***Block B [Customer]:*** Identification of the customer or Service who has primary management responsibility for the workload under consideration. The requiring Service.

***Block C [Project Brief]:*** A brief description of the requested depot maintenance.

**Part II. COMPARABILITY SUMMARY** From this point on, the form is structured in columns (columns a, b, and c) to allow entries for each offeror. Multiple copies of Form 2 will be required if there are more than 3 bidders.

***Line A [Customer Costs]:*** This is from Form 1 (Cost Comparability Bid / Proposal Worksheet (CCWS)), Part II, Section A, Line 6c, for public offerors or the bid price from private offerors.

***Line B [Depot Maintenance Comparability Costs]:*** For public offerors only, this entry is from Form 1 (CCWS), Part II, Line B9c plus (+) Line C3.

***Line C [Indirect Costs / Savings Impact]:*** For public offerors, this entry is from Form 1 (CCWS), Part III. If Part III of the CCWS has an entry on Line 1, show that entry here as a positive (+) number to indicate increased indirect costs. If Part III of the CCWS has an entry on Line 2, show that entry here as a negative (-) number to indicate indirect cost savings. For private offerors, this entry is obtained from the offeror's Forward Pricing Rate Agreement proposal. Unless the private offeror has proposed an increase in indirect costs to the government, this entry is a negative (-) number. This adjustment applies only to public / private competitions.

***Line D [Totals]:*** Add Lines A through C for each offeror. These totals become the comparable cost proposals adjusted for any indirect savings to the government.

### **Part III. DOD EVALUATION FACTORS**

***Line A [Transfer / Relocation Expenditures]:*** Add the nonrecurring (one time) cost to transfer / relocate the workload under consideration. This includes such costs as training, retraining, equipment packing and transportation, etc.

***Line B [Second Destination Transportation]:*** Add the recurring cost (subtract if costs are reduced for any particular offeror) to transport the reparable asset from supply point to the public or private offeror's facility and back to the stock point. This includes transportation charges and packing, unless packing is the same for all sources, in which case it can be ignored.

***Line C [Changes in Spares]:*** Addition / subtraction of the cost of spares or expense material due to changes in transportation flowdays. This includes the cost of establishing inventories, when additional spares or expense material must be obtained, or actual savings available from canceling planned spares procurement.

***Line D [Contract Administration]:*** Add the cost of administering the contract for private offerors, DMISA for another Service, and workload assignment / funding document provisions for in-Service monitoring. Costs for administering the contract with a private offeror can be obtained from the Defense Contract Management Command (DCMC) and from the requiring activity for public offerors.

***Line E [Cost of Capital]:*** This factor applies to private offerors only. The cost of capital is an imputed cost that is associated with the value of assets being used to perform the specific workload. This factor is the amount of income that would have been realized, had the dollars been invested in an alternative manner rather than the procurement of capital assets. Cost Accounting Standards (CAS) 414 and 417, as amended, apply. The assets must have a net book value of at least \$5K and have been placed in service within the last two years and only that portion of the actual utilization on this specific contract is allowable. In order for this factor to be applied, the solicitation (regardless of contract type) must require that the private offerors proposal disclose auditable data required to compute this factor. The administrative contracting officer will approve use of this factor based on DCAA audit of the disclosed data. To compute, the private offeror must multiply the cost of the assets by the interest factor. The interest factor is revised by the Treasury Department every six months. The approved cost of capital will be subtracted from the private offeror's proposed cost only to the extent that the cost was included in the proposal.

***Line F [Federal Income Tax]:*** This factor applies to private offerors only. Federal income taxes paid by private contractors reduce the true cost to the taxpayer. When evaluating the proposal of a large multi-division company, care must be taken to determine the amount of taxes that will be derived from this particular contract effort and not the company as a whole. In order for this factor

to be applied, the solicitation (regardless of contract type) must require that private offeror's proposals disclose auditable data required to compute this factor. The administrative contracting officer will approve use of this factor based on DCAA audit of the disclosed data. In order for the government to verify that the amount of taxes identified in a specific proposal is, in fact, the proper amount, the bidder must provide access to all of their corporate tax policies and records and also their tax advisors. The approved federal income tax amount will be subtracted from the private offeror's proposed cost.

***Line G [Award Fees or Incentives]:*** This factor applies to private offerors only. Award fees or incentives paid to private contractors increase the total cost to the U.S. Government. An addition shall be made to any private offeror's annual contract proposal price if they include award fees and / or incentives in their proposal. In accordance with OMB guidance, the amount shall be determined by computing 65% of the proposed annual maximum award fee or incentive. This amount will be added to the annual contract proposal price for each year of the proposal.

***Line H [Other Public or Private Costs]:*** For the identification and quantification of other DOD (not covered above) costs necessary to energize the proposed source. This will include facilities depreciation for private offerors where a fair rental is not paid or depreciation is not incurred because the facilities are provided by a government entity (local, state, or federal). Other evaluation factors used in this category should be specified.

***Line I [Total DOD Evaluation Factors]:*** The sum of Lines A through H.

#### **Part IV. COST SUMMARY**

##### **A. TOTAL ALTERNATIVE COSTS:**

***Line A [Total Alternative Costs]:*** The total cost to DOD necessary to determine the "best value." This should summarize all costs to the DOD necessary for selection of a repair source (sum of Lines II D and III I).

## **VIII. FINANCIAL PERFORMANCE**

Past financial performance of the public offeror (on competitive awards) will be considered during evaluations. When requested, DCAA will consider past financial performance during their audit.

## **IX. VERIFICATION AND VALIDATION**

All proposals, contracts, or work orders will be subject to audit by Service / DOD audit agencies. In addition, the actual execution of the work is subject to verification by the customer's engineers and agents.

The performing organization is required to follow generally accepted accounting practices and is required to comply with all regulatory guidance. All cost allocation techniques are to be fair, rational and uniformly applied to all workloads within the depot.

Initially, the Service representatives on the Cost Comparability Committee will review the consolidation studies for the lead Service commodity groups and certify that the proposals are within the rules and procedures outlined in this handbook.

## **APPENDIX A COST ELEMENT DEFINITIONS**

### **General**

Direct costs are defined in DOD 7000.14-R. There are three categories of direct costs (labor, material, and other). The definitions are as follows:

a. Direct Labor – Work performed solely for the benefit of a single specific job order as provided by engineering estimates. The number of direct labor hours (civilian and military) chargeable to a job order are only those incurred during the period of time that benefits accrue solely to that specific job order. All other labor hours (civilian and military) shall be recorded as indirect.

b. Direct Material – Material and supplies that can be identified as specifically required for the performance of work as specified by a work authorization document and / or Bill of Material (BOM). A small item of insignificant material may be treated as indirect material even though the item is incorporated as a part of the final product, if this practice is consistently applied from job order to job order. Direct material may either be incorporated as part of the final product or consumed in the maintenance process.

c. Other Direct Costs – Purchased services shall be charged as direct costs to the benefiting job order. If only one job order benefits from a contract or purchase, the cost of the contract shall be charged to that job order. If more than one job order benefits from a contract, the cost of the contract shall be prorated to the benefiting job orders based upon estimates or calculations of the benefits received by each job order.

(1) The cost of contracts that supplement capacity or capability for the depot shall be charged to the job orders that use the additional maintenance services.

(2) Travel and per diem expenses including regular labor hours spent in travel shall be charged as other direct costs only if the labor hours worked while traveling are charged as direct labor. If more than a single job order is worked on, the travel and per diem expenses shall be prorated on the basis of the related direct labor. Otherwise, all travel and per diem expenses shall be charged as an indirect expense of the employees cost center.

Unless otherwise stated, each indirect cost element represents cost to a DOD organic depot maintenance Working Capital Fund (WCF). There are four parts to each cost element definition. The first part gives a common definition of each cost element. This is followed by Service unique definitions or treatment of the cost element. The last two parts indicate how the cost element should be treated for comparability – both in a formal bid process and when a decision is being made on assignment of workloads to a Service.

The “Customer Cost (Line IIA6)” identifies whether the cost element should be included in a proposal bid or consolidation decision. The “Comparability Adjustment Required” identifies whether any adjustment should be made based on the Services accounting system. The cost elements are organized into indirect functional areas as follows:

	<b>Indirect Functional Area</b>	<b>Pages</b>
1.0	Production Support Functions .....	A-8.....A-14
2.0	Other Indirect Functions .....	A-15....A-26
3.0	Facility Support Functions.....	A-27....A-29
4.0	Equipment Management Functions .....	A-30....A-31
5.0	Indirect Labor Costs.....	A-32....A-34
6.0	Material Adjustments .....	A-35....A-36
7.0	Depreciation / Amortization .....	A-37....A-38
8.0	Non-DOD Functions.....	A-39....A-39
9.0	Excluded Base Support Activities .....	A-40....A-40

### **Summary of Comparability Adjustments**

For each defined indirect cost element, a determination must be made on the need to make comparability adjustments. Remember, negative adjustments from the bid price will only be made if the specific cost is included in the Service’s proposals and positive adjustments will be made if the cost is omitted from the proposal. Also, there are instances when adjustments for a specific cost element may only include a portion of the costs defined by that element. Review and understand the definitions to be sure as to the need for an adjustment.

The following matrix of identified adjustments (page A-3) has been developed and updated to summarize the results of the committee’s efforts. The matrix includes two columns which describe how to handle an adjustment based on the type of competition. The first column identifies the adjustments required for a public to private competition and the second column is for public to public competition or comparison.

The coding for each element is as follows:

- (-) Indicates that this cost element or some portion of the cost element will be adjusted out of the bid price. Remember, adjustments will only be made if the element is included in the bid. Read the definition to determine, by Service(s), whether any adjustment is appropriate.
- (+) Indicates this cost element or some portion of the element will be added to the bid price. The Service that this applies to is indicated in parenthesis.
- (0) No adjustment required.

## SUMMARY OF MAJOR COMPARABILITY ADJUSTMENTS MATRIX

(Not all inclusive--refer to specific elements if not included in matrix)

Bid/Proposal Worksheet Part II B		Public / Private	Public / Public	
Line #	Cost Element	Bid Adjustment	Bid Adjustment	Page #
1	Engineering-Design Support to Production	- (N)	- (N)	A-11
2	State Unemployment Payments	+ (All)	0	A-39
3	Base Facilities Maintenance and Repair	+ / - (AF) / (tenant)	+ / - (AF) / (tenant)	A-29
4	Unfunded Civilian Retirement	+ (All)	0	A-33
5	Depreciation for MCP Facilities	+ (All)	0	A-37
6	Casualty Insurance	+ (All)	0	A-39
7	Military Non-Depot (on active duty)	- (All)	- (All)	A-34
8	Commercial Activities (OMB Circular A-76)	- (All)	0	A-17
8	Industrial Health Services	+ (A,N,MC)	+ (A,N,MC)	A-18
8	Mobilization Support	- (All)	0	A-25
8	Motor Pool / Vehicle Maintenance	0	- (A,N)	A-30
8	Test Pilots	- (All)	0	A-9
8	Impact Aid	+ (All)	0	A-39
8	Other (depot related expenses partially or fully funded by the Customer). Only adjust in that portion unfunded to the WCF	+ (All)	+ (All)	A-8 thru A-40**

\*\* When annotated, the function is to be included in the customer / bid price (Form 1, Line II A6).

### Service Codes:

A = Army, N = Navy, AF = Air Force, MC = Marines, All = All Services, tenant = Host Tenants



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1.20	QDR / MDR / ADR.....	A-14
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2.6	Communication Services .....	A-17
2.7	Automated Data Processing / Automation Services .....	A-18
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2.10	Mail Distribution .....	A-19
2.11	Civilian Personnel Services .....	A-19
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7.0	DEPRECIATION / AMORTIZATION.....	A-37
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8.0	NON-DOD FUNCTIONS .....	A-39
8.1	State Unemployment Payments.....	A-39
8.2	Impact Aid .....	A-39
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9.6	Food Service .....	A-40
9.7	Housing and Lodging Services .....	A-40
9.8	Laundry and Dry Cleaning.....	A-40
9.9	Chief Scientist.....	A-40
9.10	Mortuary Services.....	A-40
9.11	Commissary .....	A-40

9.12	Community Relations .....	A-40
9.13	Dependent Schools .....	A-40
9.14	Exchange Services .....	A-40
9.15	Museums.....	A-40
9.16	Retired Affairs .....	A-40

## **INDIRECT COST ELEMENT DEFINITIONS**

### **1.0 PRODUCTION SUPPORT FUNCTIONS**

#### **1.1 FIRST LINE SUPERVISION**

**Common:** The supervision level immediately over the direct labor workers. The first line supervisor position labor costs shall be charged as an indirect cost. Crew chiefs, snappers, and team leaders are not first line supervisors.

**Service Unique:** NAVY – Treats as direct costs for some workloads, i.e., F-14 and P-3A competition aircraft.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **1.2 WORKLOAD PLANNING / SCHEDULING / ESTIMATING / PRODUCTION CONTROL**

**Common:** The labor cost associated with the short term and long term functions involving the coordination and execution of current plans and programs, cost estimating, scheduling, posture planning, customer fund administration, workload negotiation, material requirements forecasting, and control production workload.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **1.3 MATERIAL HANDLERS / TRANSPORTATION / EQUIPMENT OPERATORS**

**Common:** Those labor costs related to general material handling, i.e., those persons supporting numerous direct job orders, that are responsible for checking, processing, moving and distributing material, shall be charged to the overhead expense of the performing shop. This includes material runners, expeditors, handlers and equipment operators. Costs for second destination transportation are not included.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **1.4 MANAGEMENT OF MATERIALS**

**Common:** Includes requisitioning from supply source, turn-ins to supply, storage of WCF material, inventory accountability, issuing from WCF inventory, management of inventory levels, research of stock numbers, awaiting parts management, and material receipts inspections. Material receipt inspection is the examination (including testing of supplies and services including, where applicable, raw materials, documents data, components and intermediate supplies) to determine whether the supplies and service conform to the technical requirements.

**Service Unique:** ARMY – Material inspection is direct. In addition Army handles management of materials as follows: Stabilized rates / fixed prices for all maintenance customer orders / workload have a factor incorporated to recover supply costs (i.e., receiving, storing, inventorying and issuing of maintenance repair parts). The factor (i.e., supply support to maintenance) is based on a rate per direct labor hour which is assessed to our maintenance customers as a direct other cost. This approach is similar to the service cost center concept employed by the other Services. Accordingly, maintenance workload now reflects a true cost to accomplish the supply effort involved with same.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **1.5 TOOLS MANAGEMENT**

**Common:** The labor costs for requisitioning, receiving, stocking, storing, and issuing durable hand and power tools. Included are the labor costs for general operations of the tool room / crib. The acquisition costs of the tools are chargeable to Expendable Tools and Equipment.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **1.6 TEST PILOTS**

**Common:** Labor costs for military & civilian pilots performing functional test flights on aircraft repaired at the depot. With the change of funding military personnel from WCF, this is a funded direct expense. If the RFP requires test pilots, then costs will be included in all bids.

**Service Unique:** Marines – Do not have costs in this area.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** Adjust out for public to private if not required in RFP.

### **1.7 SUPPLY FUNCTIONS**

**Common:** Non-WCF material storage, warehousing, issuing, receiving, inspection, inventory and accounting.

**Service Unique:** None.

**Customer Cost (Line II A6):** Not a depot maintenance cost.

**Comparability Adjustment Required:** None.

### **1.8 PROGRAMMING COMMON ATE / NC EQUIPMENT**

**Common:** Programming effort necessary to develop programs that operate and control ATE and NC equipment. If programming effort can be identified to a specific direct job order, the cost will be direct – otherwise treat as indirect cost.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **1.9 WEAPON SYSTEMS ENGINEERING**

**Common:** Total engineering support for weapon systems. Includes designing repairs and modifications, configuration management, monitoring reliability data and weapon systems performance, maintaining technical data, and technical support of production. These services are normally considered a customer related cost not Depot Maintenance.

**Service Unique:** NAVY – In NAVAIR this service is a direct workload.

**Customer Cost (Line II A6):** If the RFP requires weapon system engineering support, then it will be included in Line II A6. Otherwise this is not a depot maintenance cost.

**Comparability Adjustment Required:** None.

### **1.10 ENGINEERING – DESIGN SUPPORT TO PRODUCTION**

**Common:** This is an extension of Weapon Systems Engineering (1.9 above). Costs incurred for weapon systems design support to production. For example, problems encountered that are not covered by tech data / manuals. However, some Services separately identify these costs. Weapon system engineering including design engineering to support production includes the development and documentation of design repairs, maintenance procedures, technical orders, and / or engineering instructions.

**Service Unique:** NAVAIR – Indirect Funded Cost

**Customer Cost (Line II A6):** Not a depot maintenance cost.

**Comparability Adjustment Required:** If included in Line II A6, adjust out of bid for both public to public and public to private.

### **1.11 PRODUCTION ENGINEERING**

**Common:** Costs incurred in the application of industrial engineering principles and techniques relating to the propriety of technical data packages. This includes overhaul procedures, shop routing, process sequences, work flows, changes to technical data and inspection procedures, and development of overhaul standards including analysis and refinement of production methods.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **1.12 INDIRECT PRODUCTION MATERIAL / OPERATING SUPPLIES**

**Common:** Materials used in production or services which can not be charged accurately and economically directly to a job order due to the low quantity used / required and the difficulty in measuring consumption. Examples are plating, acids, impregnating substances, gases, welding rods, paint, nuts, bolts, pre-expended bins, etc.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.



### **1.13 CONTRACTOR ENGINEERING & TECHNICAL SERVICES (CETS)**

**Common:** Engineering and technical services performed by DOD contractors. Contractor engineering and technical services consist of the following:

a. Contractor Plant Services. Engineering and technical services provided to DOD personnel by a manufacturer of weapon systems, equipment, or components. These services are provided in the manufacturer's facilities by their engineers and technicians.

b. Contractor Field Services. Engineering and technical services provided to DOD personnel by contractor representatives. These services include information, instruction and training, and hands-on training incidental to other training provided by the contractor.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **1.14 PRODUCTION TESTING (POL)**

**Common:** Testing POL (petroleum, oil, lubricants) is all petroleum products utilized in depot maintenance support of aircraft and engines.

**Service Unique:** NAVY – Treats as direct cost.  
AIR FORCE and ARMY – Treat as indirect costs.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **1.15 BACKROBBING**

**Common:** Backrobbing is the labor cost for removing an assembly, subassembly, component or part from one item that has been inducted for maintenance for use on another item inducted for maintenance with the intention of replacement at a later time. Installation of the backrobbed component into the benefiting end item is charged to the benefiting job order.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **1.16 CANNIBALIZATION**

**Common:** Cannibalization is the labor costs for taking of an assembly, subassembly, component or part from an item that has not been inducted for maintenance. Normally restricted to salvage / condemned items.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **1.17 DEFECTIVE WORK, REWORK AND SPOILAGE**

**Common:** Defective work, rework, and spoilage is the effort (i.e., material and labor) needed to remedy or correct imperfections arising from normal production and bring to standard specifications. Included also is the cost associated with redoing “guaranteed” work and the cost of re-inspecting components and assemblies. Costs associated with defective work and spoilage will be charged to the benefiting job order as a direct cost when the amount is within the range of expected norms. However, excessive cost not related to the job order or costs to correct major deficiencies relative to defective work and spoilage will be charged as an indirect maintenance overhead expense.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **1.18 QUALITY MANAGEMENT**

**Common:** Quality management is defined as the development, implementation, and maintenance of generic quality procedures and general document control. Also included are those functions that provide quality requirements and assessment criteria, quality systems, quality management, engineering and technical control. Involves the development and application of statistical process control techniques to continually improve processes and determine process capabilities.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **1.19 TESTING / INSPECTIONS / VERIFICATION**

**Common:** In-process inspection of maintenance production for early detection of deficiencies in the product or service and final inspection and acceptance testing. Additional testing and inspection is performed through use of oil analysis, destructive testing, accident investigation and chemical testing.

**Service Unique:** ARMY – Direct – Performance of oil analysis, accident investigation, metallurgical, in-process and final inspection, final testing and chemical testing for an outside customer. Indirect – When these functions are performed for the benefit of the depot. (Example: Chemical test for plating tank solutions.)

MARINES – In-process inspection (sampling) is indirect. Final inspection is direct.

NAVSEA – Test design and evaluation related to customer work, and all inspection (initial, final, or operational during the productive process) is coded direct, non-customer work is indirect.

NAVAIR & AIR FORCE – Inspections performed by artisans / mechanics is direct. Those performed by personnel from quality organizations are indirect.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **1.20 QDR / MDR / ADR**

**Common:** The labor cost for a customer identified defect or non-conforming condition which limits or prohibits the item from fulfilling its intended purpose. Included are deficiencies in design, specifications, material, manufacturing, operations and workmanship. Includes the investigation and resolution of a customer complaint.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.0 OTHER INDIRECT FUNCTIONS**

### **2.1 COMPTROLLER SERVICES**

#### **Introduction:**

Includes financial analysis, cost accounting, budget, pay and travel, and vendor payment functions. All the Services treat these costs as indirect; but the methods used to obtain the services vary.

NAVY – Uses in-house WCF personnel except travel, vendor payments, and some pay functions. Other functions are performed by others on a reimbursement basis.

ARMY – WCF personnel provide services.

MARINES – Performed by others and reimbursed except budget which is performed in-house.

AIR FORCE – Performs financial analysis and budget in-house. Other functions are performed by others on a reimbursement basis.

#### **2.1.1 ACCOUNTING**

**Common:** Managerial Accounting and Cost Accounting: Managerial Accounting is associated with monitoring the financial health of the WCF operation including preparation of financial reports, briefings, and analysis. Cost Accounting is associated with the collection and classification of financial accounting data in accordance with regulatory guidance.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **2.1.2 BUDGET**

**Common:** All costs associated with the preparation and analysis of WCF budgets. Examples of workload involved are: stabilized rate development, overhead rate development, and budget execution reviews.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **2.1.3 FINANCE**

**Common:** Includes the cost of administering the payroll and travel of WCF employees and the cost of WCF vendor payments.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **2.2 OTHER INDIRECT COSTS**

**Common:** Supervision, administration, secretarial and clerical costs are those costs related to the management and administrative support of WCF operations. Examples of functions included in this category are bid / proposal preparation, military (other than direct), secretaries, clerks, staff support, administrative assistants, all supervisors and other functions not defined elsewhere. Corporate office expenses will also be included. Additionally, administrative efforts involved with bond drives, the Combined Federal Campaign (CFC), management improvement programs (i.e., beneficial suggestions, cost reduction, TQM, etc.), and other special observances (i.e., Martin Luther King Program, Black History Month, etc.) are included.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **2.3 TRAINING / TUITION – WCF EMPLOYEES**

**Common:** Cost of tuition, fees, books, etc., for WCF employees in formal training status. Excludes On-Job-Training (OJT) and when specific training is required for unique jobs or functions. Does not include travel costs associated with training. All training related travel costs are chargeable to travel.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.4 COMMERCIAL ACTIVITIES---A76 STUDIES**

**Common:** Cost of performing A76 studies.

**Service Unique:** MARINES – Unfunded

AIR FORCE – Portion accomplished by cost analysis function of comptroller is unfunded.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** Adjust out for public to private.

## **2.5 AIRCRAFT OPERATIONS**

**Common:** Aircraft or “air field operations” are those costs associated with support functions for local and transient aircraft to include flight clearance authority, weather service, crane and rescue facilities, flight planning facilities, aircraft servicing operations, notice to airmen service and operations security. Also includes coordination with flight service stations, air route traffic control centers and approach control units. Costs associated with this element are not financed with WCF resources.

**Service Unique:** NAVY – Reimburses based on portion of total flights performed.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.6 COMMUNICATIONS SERVICES**

**Common:** Includes telephone services (local, long distance), equipment (leased / owned), installation and relocation of equipment, and maintenance / service of equipment. Funded as indirect. Message service and DSN is unfunded, however personnel are funded.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.7 AUTOMATED DATA PROCESSING / AUTOMATION SERVICES**

**Common:** Includes the administration and operation of the information management function to include: information architecture plans, system integration, and supervision of related operational activities. Also included is the analysis, design, programming operations and maintenance of depot WCF management information systems along with associated personnel, supplies, equipment and all other costs in support of base operations data processing facilities including the costs of transmitting data to a centralized facility.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.8 MAINTENANCE – ADPE**

**Common:** Cost of preventive maintenance and repair of WCF owned ADPE.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.9 INDUSTRIAL HEALTH SERVICES**

**Common:** Health services costs are those costs incurred in treating civilian employees. Includes those who are injured in the course of their duties, sick during duty hours, return from extended sick leave, and physical exams to determine fitness for duty – including exams by private doctors.

**Service Unique:** AIR FORCE – Funded.

NAVY – Unfunded except fitness for duty exams.

ARMY & MARINES – Unfunded.

**Customer Cost (Line II A6):** Include for Air Force.

**Comparability Adjustment Required:** Adjust in for Navy, Army, and Marines for public to public and public to private.

## **2.10 MAIL DISTRIBUTION**

**Common:** Mailroom activities include postal service charges for official correspondence / mail, postage stamps, meter charges, licenses, etc. Mailroom service includes those costs associated with the pickup and delivery of mail and FAX services.

**Service Unique:** MARINES – Unfunded except Federal Express postage and FAX.

AIR FORCE – Postage unfunded.

**Customer Cost (Line II A6):** Include for funded activities.

**Comparability Adjustment Required:** Adjust in for unfunded activities when material.

## **2.11 CIVILIAN PERSONNEL SERVICES**

**Common:** Civilian personnel management includes costs associated with processing civilian personnel actions, employees benefits programs, civilian personnel records, recruitment and placement policy, planning and accomplishing reductions in force, reorganizations, and transfers of function, position and pay management, labor management relations programs, and training administration.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.12 MILITARY PERSONNEL SUPPORT**

**Common:** Military personnel management includes costs associated with processing military personnel actions, military benefits programs, military personnel records, military pay, and training administration. Unfunded by all.

**Service Unique:** None.

**Customer Cost (Line II A6):** Do not include.

**Comparability Adjustment Required:** None.



### **2.13 SAFETY**

**Common:** Safety costs are those costs incurred in the support of safety activities to include assigned civilian personnel salaries and benefits, associated training, safety supplies (i.e., goggles, shoes, earplugs, boots, and hard hats) and other materials used in the promotion of the safety program. Also included are costs associated with accomplishing environmental checks (i.e., air, noise, asbestos). Included costs associated with safety equipment which falls within the realm of the WCF expense criteria.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **2.14 PURCHASING & CONTRACTING SERVICES**

**Common:** Purchasing and contracting for supplies, services and minor construction, small business activities, imprest fund, contracting costs and price analysis, assisting with performance work statements, administration of contracts and purchases, advance acquisition planning, and the small and disadvantaged business programs. Any procurement actions initiated by inventory control points are considered outside the scope of consideration for cost comparability purposes.

**Service Unique:** NAVY – NADEP procurement efforts are unfunded. The Naval Supply Center and Naval Regional Contracting Office provides the procurement services free. At some NAVSEA working capital fund activities, procurement actions in excess of \$200,000; \$500,000; or \$1,000,000 are serviced by central procurement offices – Navy Regional Contracting Office (example).

AIR FORCE – Local purchase is unfunded, equipment purchases (CPP) are reimbursed.

**Customer Cost (Line II A6):** Include for funded Service activities.

**Comparability Adjustment Required:** Adjust in for unfunded Service activities.

## **2.15 PUBLIC AFFAIRS**

**Common:** Public affairs costs are those costs incurred in the planning, supervising and conducting of programs associated with the preparation and release of information through various informational media to internal and external audiences. Also included are those costs incurred that are associated with all local news media outlets and the civilian community.

**Service Unique:** MARINES – Unfunded.

**Customer Cost (Line II A6):** Include for Air Force, Army, and Navy.

**Comparability Adjustment Required:** Adjust in for Marines.

## **2.16 AUDIO VISUAL SERVICES**

**Common:** Cost associated with issuing, maintaining, and procuring audio visual equipment, making video presentations, maintaining the film library and taking official photographs and slides.

**Service Unique:** AIR FORCE – Base audio visual office costs are unfunded. WCF maintains own contract for this service.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.17 PRINTING AND REPRODUCTION**

**Common:** Printing and reproduction costs are all costs incurred by the WCF for printing, reproduction, and publishing services needed to accomplish the WCF requirements. Excluded as a cost of printing and reproduction is the cost associated with the original copy of automatic data processing output products which is properly costed to automatic data processing operations.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.18 CENTRAL SYSTEM DESIGN, DEVELOPMENT AND MAINTENANCE**

**Common:** Central MIS design includes cost incurred in the development of depot maintenance computer systems and programs. Systems design accomplished for Service-wide data systems are unfunded.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.19 HAZARDOUS WASTE MANAGEMENT**

**Common:** Management and disposal of hazardous waste resulting from the production process includes labor, material and contractual cost of cleaning air, water, ground and ground water. Hazardous waste management includes environmental engineering functions, such as control of hazardous waste, design of buildings and equipment that reduces generation of hazardous waste, and ensures compliance with federal, state, and local regulations.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.20 EQUAL EMPLOYMENT OPPORTUNITY**

**Common:** Equal employment opportunity costs are incurred to plan and direct the EEO initiative. Included is education and training programs, the Affirmative Action program, the discrimination complaint system and other designated special emphasis programs. Also included is labor cost of personnel while participating in EEO sponsored programs and counseling sessions.

**Service Unique:** MARINES – Unfunded.

AIR FORCE – Base EEO office is unfunded whereas WCF employees time spent in counseling is funded. WCF maintains their own EEO office.

**Customer Cost (Line II A6):** Include for Air Force, Army, & Navy.

**Comparability Adjustment Required:** Adjust in for Marines when material.

## **2.21 INTERNAL REVIEW**

**Common:** All costs incurred in internal review functions including review of financial operations and systems, coordination of external audits / reviews, and monitoring follow-up on internal and external audits / reviews actions and recommendations. Other functional areas reviewed are to determine submarginal performance in diverse functional areas to improve shop performance, goals, comprehensive investigation, evaluation of trends and variances.

**Service Unique:** MARINES – All unfunded.

**Customer Cost (Line II A6):** Include for Air Force, Army, & Navy.

**Comparability Adjustment Required:** Adjust in for Marines when material.

## **2.22 TECH MANUAL LIBRARY**

**Common:** The tech manual library is the repository for all technical data, including books, manuals, blueprints, slides, etc., relating to mission workload performed by the depot. Includes all cost incurred in the operation of the technical library. Does not include costs associated with Weapon System Engineering or any other non-WCF function.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.23 LEGAL SERVICES**

**Common:** Legal costs are those costs incurred in providing legal support for the administration and operations of WCF activity. Included therein are legal opinions involving pre and post procurement awards, fiscal matters, environmental matters, labor matters, and criminal investigations. Also included are the preparation and adjudication of claims against the government.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.24 OFFICE SUPPLIES**

**Common:** Office supplies are defined as those materials such as tablets, pens, pencils, calculator tapes, staplers and other similar items required to sustain production and indirect maintenance operations.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.25 TRAVEL COSTS**

**Common:** Those costs incurred by WCF employees (i.e., transportation, per diem, fees, etc.) incurred in the course of TDY and travel for training. Does not include labor costs of employee while in a travel status.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.26 PCS**

**Common:** PCS (permanent change of station) is all entitlements due a working capital fund employee for a PCS authorized per the joint travel regulations.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.27 OVER / UNDER APPLIED OVERHEAD ADJUSTMENTS**

**Common:** Applied overhead adjustments are made at year end to bring into balance the amount of overhead applied vice actual overhead costs. The purpose for the adjustment is to achieve equality in costs for incurred overhead. The delta is not included in product cost because it is maintained at the General Ledger level only.

**Service Unique:** AIR FORCE – Does not use.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **2.28 CONTRACT ADMINISTRATION** (evaluation factor)

**Common:** Represents the costs (labor, material and associated overhead) incurred by government entities for administering contracts awarded to public / private concerns to ensure specifications / requirements are fulfilled. These costs should be accumulated regardless of the government source of funding.

**Service Unique:** None.

**Customer Cost (Line II A6):** Not included.

**Comparability Adjustment Required:** Add the associated costs to both the private and public bid. No adjustment for public to public competition. If required in the RFP, then include in Line II A6 and annotate for evaluators.

## **2.29 MOBILIZATION SUPPORT**

**Common:** The cost associated with (1) developing and testing mobilization support plans, (2) underutilized capacity.

Mobilization Planning cost is the cost associated with development and testing of mobilization support plans provided by the depot for mobilization exercises or actual war / contingency periods.

Underutilized capacity is the cost defined by DOD 7000.14-R, Volume 11B, Chapter 63, which defines mobilization as the cost to maintain a surge capacity and / or maintain other assets, functions, or capability required to meet an operation contingency documented in Defense Planning Guidance or Operational Plans. DOD 4151.18-H provides detailed instructions on capacity measurement.

Comparability adjustment is limited to cost contained in the depot rates and should not include costs supported by external funding.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** Adjust out for public to private.

### **2.30 CORPORATE HEADQUARTERS (effective in FY94)**

**Common:** The Headquarters costs which benefit the organic depot maintenance.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** Adjust out all non-organic depot maintenance headquarters costs.

### **2.31 ADDITIONAL COMPETITIVE BID PREPARATION / OVERSIGHT COST**

**Common:** The private sector submits competitive bids that do not require full cost and pricing data. When the public sector activity is submitting a proposal, even for a firm fixed price contract, it must prepare a complete cost proposal with a full support package. This package must endure numerous audits and evaluations that scrutinize the assumptions on which the government activity proposal was made. Public activities should collect actual cost data for proposal preparation and, where the requirements for public activities varies from those levied on the private sector, document the differences and the related cost.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** If included in Line II A6, adjust out of the bid for public to private.

### **3.0 FACILITY SUPPORT FUNCTIONS**

#### **3.1 FUELS**

**Common:** Fuels are all petroleum products and other fuel types used to support the installation with the exception of those fuels used for aviation and facilities. Examples are leaded and unleaded gasoline, motor oil, lubricants, kerosene, compressed gases, etc.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **3.2 FIRE PROTECTION**

**Common:** Includes labor cost for fire prevention, inspection, protection and instruction by fire fighting personnel in support of the WCF. Also included is performance of structural and crash fire fighting services.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **3.3 CUSTODIAL SERVICES**

**Common:** Includes all costs incurred in the performance of janitorial services for all WCF areas including production. Excludes end-of-shift clean-up.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.



### **3.4 POLICE SERVICES**

**Common:** Includes all cost incurred for security received, to include daily protection of personnel, equipment, material, and overall administrative responsibility for the physical security, loss prevention program, and the monitoring of the information security program. Includes personnel badges, vehicle decals, and traffic control.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **3.5 UTILITIES**

**Common:** Includes the cost of water, sewage, steam, refuse / garbage, electricity, air conditioning, gas (including natural), compressed air, fuels (for facilities) and utility maintenance used by the WCF. Also includes costs for utility operations provided by the host or other outside sources.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **3.6 SHOP / OFFICE REARRANGEMENT**

**Common:** Includes all costs incurred due to the rearrangement of the shop / office.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **3.7 BASE FACILITIES MAINTENANCE AND REPAIR**

**Common:** Includes all costs for planning, designing, and recurring day-to-day, periodic, or scheduled work required to preserve or restore a facility to such condition that it may effectively be used for its designed purpose. Includes work undertaken to prevent damage to a facility which otherwise may be more costly to restore. Includes ground maintenance cost for care of roads, streets, walks, parking areas, shoulders, drainage systems, and lawns.

**Service Unique:** AIR FORCE – Pay only for pavements and real property which are for the exclusive use of working capital fund entities.

MARINES – Do not pay for common roads.

**Customer Cost (Line II A6):** Include for all funded services.

**Comparability Adjustment Required:** Air Force will adjust in for all unfunded costs. Army and NAVSEA activities that are host commands will adjust out that portion of Base Facilities Maintenance & Repair costs that are not associated with depot maintenance.

## **4.0 EQUIPMENT MANAGEMENT FUNCTIONS**

### **4.1 MAINTENANCE – PRODUCTION EQUIPMENT**

**Common:** Cost of preventive maintenance and repair of production equipment. For example, presses, lathes, test equipment, ground support equipment, grinding machines, milling machines, etc.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **4.2 MOTOR POOL / VEHICLE MAINTENANCE**

**Common:** Motor pool services include all costs associated with the operation of and operating / organizational maintenance of the motor pool. Includes cost of preventive maintenance and repair of vehicles. Examples include lifts, forklifts, tow bars, tractors, trains, trucks, fire equipment, cranes, etc.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** Army & Navy adjust out for public to public competition.

### **4.3 PMEL / CALIBRATION**

**Common:** Includes cost for calibration of equipment, support of standards, etc.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **4.4 MAINTENANCE – OTHER EQUIPMENT**

**Common:** Includes the costs of preventive maintenance and repair for all other equipment (for example – office equipment and furniture).

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **4.5 EQUIPMENT RENTAL**

**Common:** Includes costs incurred by the working capital fund for rental of equipment.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **4.6 CAPITAL EQUIPMENT PLANNING**

**Common:** The labor cost to develop and plan for organizational modernization and to develop long range plans for tooling and capital equipment.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **4.7 EXPENDABLE TOOLS AND EQUIPMENT**

**Common:** Includes the acquisition cost of office equipment, office furniture, and hand tools such as drills, saws, etc., required to accomplish the maintenance function. Expense tools and equipment when the cost is less than the working capital fund capitalization limit.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **5.0 INDIRECT LABOR COSTS**

### **5.1 NONDIRECT TIME OF DIRECT EMPLOYEES**

**Common:** Includes the labor cost for time spent by direct employees on work delays, union activities, safety meetings, training, clean-up, welfare drives, going to dispensary, personnel matters, fire evacuation, intransit time, grievances and appeals, traumatic injury, severe weather, power loss, and light duty.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **5.2 ACCELERATION FACTORS**

**Common:** Acceleration factors are added to employee pay rates to cover the cost of leave (annual, sick, holiday, other) and fringe benefits (retirement, life ins., health ins.). Treatment as direct or indirect cost will be according to how the employee's time is charged.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **5.3 OVERTIME / HOLIDAY PREMIUM**

**Common:** Represents the premium portions of overtime paid to employees. In general, these costs are treated as indirect.

**Service Unique:** Navy – Treats overtime premium as direct cost when worker is performing direct work.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **5.4 CASH AWARDS**

**Common:** Includes awards to civilian employees from the appraisal process, suggestions, etc.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **5.5 END OF YEAR ACCELERATION ADJUSTMENTS**

**Common:** Adjustments are made to adjust labor acceleration factors to actual expenses.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **5.6 WORKER'S INJURY COMPENSATION**

**Common:** This covers the cost of liability insurance of federal employees through the Federal Employee's Compensation Act (FECA). Public Law 93-416 requires a fund to compensate employees for loss due to on-the-job injury. Public depots collect revenue and contribute to the FECA Fund. This cost includes long term disability and death benefits.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** If the depot activity is also the base host activity, adjust out the tenant(s) portion of the payment. Adjust in any costs paid by an appropriated fund that are not included in the customer rates. Otherwise, no adjustment required.

### **5.7 UNFUNDED CIVILIAN RETIREMENT**

**Common:** Unfunded DOD contribution to the Civil Service Retirement System (not FERS). This rate is available from the Office of Personnel Management (OPM).

**Service Unique:** None.

**Customer Cost (Line II A6):** Not included.

**Comparability Adjustment Required:** Adjust in all unfunded costs for public to private. No adjustment required for public to public.

### **5.8 MILITARY NON-DEPOT**

**Common:** Military time (Military training, rifle range, physical fitness training, special projects, parades, Armed Forces Day, and other non-maintenance duty) spent by active duty personnel performing functions other than Depot Maintenance related functions. Excluded from this category are civilian employees on military leave (See acceleration factor definition).

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** Adjust out of bid for both public to public and public to private.

### **5.9 RETIREE HEALTH BENEFITS**

**Common:** Current civilian employees upon retirement from the government are offered health benefits which are partially funded by the government. This cost comparability adjustment helps assure government proposal costs are comparable with those of private firms for this element of cost in accordance with the Financial Accounting Standards Board (FASB). Analysts from the Office of Personnel Management have estimated that 4.7% of annual salary would be adequate to cover the required government funds for post employment health benefits. Restating this as a percent of labor cost (which includes fringe benefits, leave, & holiday), the amount would be 3% of total annual labor cost.

**Service Unique:** None.

**Customer Cost (Line II A6):** Not included.

**Comparability Adjustment Required:** Adjust in for public to private. No adjustment required for public to public.

## **6.0 MATERIAL ADJUSTMENTS**

### **6.1 FUND CODE CHANGES**

**Common:** Fund code changes are those changes in material status from unfunded to funded and vice versa.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **6.2 INVENTORY ADJUSTMENTS**

**Common:** Inventory adjustments are those adjustments made when on hand balances do not agree with inventory, records, intransit material adjustments or other material adjustments.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **6.3 DISALLOWED MATERIAL RETURNS**

**Common:** Disallowed material returns and backorder cancellations are defined as those materials and supplies ordered / prepositioned for ongoing maintenance programs for which the work requirement for same no longer exists. When the material is returned to supply or the backorder is canceled, no credit is obtained for the return or cancellation. Disallowed material returns and backorder cancellations will be credited to the job order for which the requirement originally existed. If the original job order is closed or is not identifiable then the value of subject material will be charged as an indirect maintenance overhead expense.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.



#### **6.4 LOSS ON MATERIAL SENT TO DISPOSAL**

**Common:** Loss on excess material sent to disposal is that material that has been declared as excess to the depots needs which has been returned to the supply system for appropriate disposition instructions. Costs associated will be charged as an indirect maintenance overhead expense unless it is determined that the customer changed specifications on the original order in which case the cost will be charged to a separate job order for reimbursement from the original customer.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **6.5 STANDARD PRICE REVISION**

**Common:** Standard price revisions are defined as those adjustments required to bring depot maintenance material and supplies inventories in line with current standard catalog prices.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

#### **6.6 USE OF SPECIFIED SOURCES**

**Common:** The requirement to use specific sources for purchase of repair parts, utilities, or services can drive higher costs. Sometimes, the rate the Government activities charge contain recoupment, surcharges, and other factors that are not part of the actual cost. For this reason, public depots must use estimates of actual costs, not budget / stabilized rates, when preparing proposals. However, when the public activities purchase spare parts, utilities, etc., from other government activities, they are charged the stabilized rate. This creates an inequity.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** Adjust out for gain; adjust in for loss.

## **7.0 DEPRECIATION / AMORTIZATION**

### **7.1 REAL PROPERTY – CPP**

**Common:** Depreciation / amortization of minor construction cost charged over its useful life.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

### **7.2 REAL PROPERTY – MCP**

**Common:** Depreciation / amortization of MCP is the cost charged over the useful life of the major construction project.

**Service Unique:** None.

**Customer Cost (Line II A6):** Do not include.

**Comparability Adjustment Required:** Adjust in for all public bidders under public vs. private competition. No adjustment for public to public.

### **7.3 EQUIPMENT**

**Common:** Depreciation of equipment (funded or unfunded) is the acquisition cost of the equipment charged over its useful life. Useful life differs between the Services.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include for funded activities.

**Comparability Adjustment Required:** Adjust in for unfunded activities.

#### **7.4 ADP MANAGEMENT SYSTEMS**

**Common:** Amortization of management systems is the cost of software or management information design costs spread over its useful life.

**Service Unique:** None.

**Customer Cost (Line II A6):** Include.

**Comparability Adjustment Required:** None.

## **8.0 NON-DOD FUNCTIONS**

### **8.1 STATE UNEMPLOYMENT PAYMENTS**

**Common:** The Department of Labor contributes to a state's unemployment fund based on WCF employment fluctuations. Contributions to this fund are unfunded for each Service. Contact Civilian Personnel for this data.

**Service Unique:** None.

**Customer Cost (Line II A6):** Do not include.

**Comparability Adjustment Required:** Adjust in all unfunded costs for public to private.

### **8.2 IMPACT AID**

**Common:** The Department of Education contributes funds to local public schools based on civilian and military employment figures. Contributions to the public schools are unfunded for each Service.

**Service Unique:** None.

**Customer Cost (Line II A6):** Do not include.

**Comparability Adjustment Required:** Adjust in all unfunded costs for public to private.

### **8.3 CASUALTY INSURANCE**

**Common:** The estimated cost of insurance for replacement of facilities and equipment due to casualty losses. Casualty insurance costs will be computed by multiplying the government approved factor of .005 times the net book value (current depreciated asset value) of government industrial plant equipment (class 3 and 4). Casualty insurance for facilities will be .005 times the estimated facilities replacement cost including the depreciated value of class 2 equipment. All values and costs may be reduced by the amount currently funded for equipment replacement (current CPP / CIP funded amount) and repair of facilities (\$500,000). Allocation of these costs to the competitive workload will be done on the basis of direct labor hours.

**Service Unique:** None.

**Customer Cost (Line II A6):** Do not include.

**Comparability Adjustment Required:** Adjust in for all public to private competitions.

## **9.0 EXCLUDED BASE SUPPORT ACTIVITIES**

The following base support activities relate to military mission support only. These activities do not provide any benefits to the organic Depot Maintenance working capital fund. If any of these activities are WCF funded, there will be an adjustment out for comparability purposes.

### **9.1 Chaplain and Chaplain Services**

### **9.2 Morale and Fitness Support**

### **9.3 Clubs**

### **9.4 Community Support Services**

### **9.5 Explosive Ordnance**

### **9.6 Food Service**

### **9.7 Housing and Lodging Services**

### **9.8 Laundry and Dry Cleaning**

### **9.9 Chief Scientist**

### **9.10 Mortuary Services**

### **9.11 Commissary**

### **9.12 Community Relations**

### **9.13 Dependent Schools**

### **9.14 Exchange Services**

### **9.15 Museums**

### **9.16 Retired Affairs**

## **APPENDIX B**

### **REFERENCES**

DOD 7000.14-R	Financial Management Regulation
DOD 7220.9-M	Department of Defense Accounting Manual (superseded in part by DOD 7000.14-R)
DOD 7410.4-R	Working Capital Fund Policy (incorporated in DOD 7000.14-R)
Title 10	United States Code, Section 2208
DMRD 908	Consolidation of Aeronautical Depot Maintenance
DMRD 909	Consolidation of Non-Aircraft Depot Maintenance
30 Jun 90	Under Secretary for Logistics Memo "Strengthening Depot Maintenance Activities"
DODD 5128.32	Defense Depot Maintenance Council Charter, Nov 7, 1990
8 Aug 90	Defense Depot Maintenance Council Meeting Minutes, Jul 24, 1990
	Federal Acquisition Regulation (FAR)
DODI 4000.19	Reimbursement Support Categories (Pg. 2-1 thru 2-4)

## **APPENDIX C**

### **DATA SYSTEMS**

#### **ARMY**

Standard Industrial Fund System  
Cost by PCN (B51 M01)  
Cost by Procurement Request Order Number (B51 W05)  
Cost by Work Center (B51 M02)  
Cost by Army Management Structure (B51 M36)

#### **NAVY**

SYSMIS FA Series Reports  
NOMIS Customer Order File  
NIFMS Navy Air Industrial Financial Mgt System

#### **AIR FORCE**

Project Order Control System (G004B)  
Depot Maintenance Budget and Mgt Cost System (G035A)  
Maintenance Labor Distribution and Cost System (G037G)  
Base Level General Accounting Finance System (H069)  
Depot Maintenance Production Cost System (G072A)  
Contract DM Production / Cost System (G072D)

#### **MARINE CORPS**

Navy Industrial Financial Management System (NIFMS)  
Navy Industrial Material Management System (NIMMS)  
Essex Replacement Program (ERP)

## **APPENDIX D**

### **COST COMPARABILITY COMMITTEE MEMBERSHIP**

NAME	OFFICE	DSN PHONE
(Service Representative)		
Pat Crossen (Army)	HQ IOC / AMSIO-RMD	793-2063
John Martin (Navy)	NADOC CODE 6.0.D.3	342-3567
Martin Huisman (Marine Corps)	MARCORLOGBASES CODE G321	567-6801
Peter Stauder (Air Force)	HQ AFMC / FMR	787-4394
(Alternate Representatives)		
Kathy Chauncey (Air Force)	HQ AFMC / FMRI	787-0178
Trent Blalock (Marine Corps)	MARCORLOGBASES CODE 881	567-5321
(Other Representatives)		
Ken Ellis	JDMAG/MAU	986-2743
Jeff Miller	HQ DCAA	427-2270



## **APPENDIX E**

### **ACRONYMS**

ACP	Asset Capitalization Program
ADPE	Automated Data Processing Equipment
ADR	Aircraft Deficiency Report
ATE	Automated Test Equipment
CAS	Cost Accounting Standards
CETS	Contractor Engineering and Technical Services
CFC	Combined Federal Campaign
CIP	Capital Investment Program
CPP	Capital Purchases Program (formerly ACP)
CSRS	Civil Service Retirement System
DLR	Depot Level Repairable
DMRD	Defense Management Review Decision
DOD	Department of Defense
EEO	Equal Employment Opportunity
FAR	Federal Acquisition Regulation
FERS	Federal Employees Retirement System
G&A	General and Administrative
IF	Industrial Fund (currently identified as Working Capital Fund (WCF))
MCP	Military Construction Program
MDR	Material Deficiency Report
NC	Numerical Control
OJT	On-the-Job Training
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PCN	Program Control Number
PCS	Permanent Change of Station
PMEL	Precision Measurement Equipment Laboratory
POL	Petroleum, Oil, and Lubricants
QDR	Quality Deficiency Report
RFP	Request for Proposal
RIF	Reduction-in-Force
SDT	Second Destination Transportation
SIOH	Supervision, Inspection and Overhead
SDLM	Standard Depot Level Maintenance
SOR	Source of Repair
SOW	Statement of Work
TQM	Total Quality Management
WCF	Working Capital Fund